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<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Vision Service Plan Insurance Company
<b>TOI/Sub-TOI:</b>	H20I Individual Health - Vision/H20I.000 Health - Vision		
<b>Product Name:</b>	DC Individual Plan Rates 2019		
<b>Project Name/Number:</b>	/		

## Filing at a Glance

Company:	Vision Service Plan Insurance Company
Product Name:	DC Individual Plan Rates 2019
State:	District of Columbia
TOI:	H20I Individual Health - Vision
Sub-TOI:	H20I.000 Health - Vision
Filing Type:	Rate
Date Submitted:	12/13/2019
SERFF Tr Num:	VSPN-132165946
SERFF Status:	Assigned
State Tr Num:	
State Status:	
Co Tr Num:	IP VARIABLE RATES
Implementation	On Approval
Date Requested:	
Author(s):	Julie Wiswell, Freida Nhem
Reviewer(s):	Darniece Shirley (primary), John Morgan
Disposition Date:	
Disposition Status:	
Implementation Date:	

**State:** District of Columbia **Filing Company:** Vision Service Plan Insurance Company  
**TOI/Sub-TOI:** H2OI Individual Health - Vision/H2OI.000 Health - Vision  
**Product Name:** DC Individual Plan Rates 2019  
**Project Name/Number:** /

## General Information

Project Name: Status of Filing in Domicile:  
Project Number: Date Approved in Domicile:  
Requested Filing Mode: Review & Approval Domicile Status Comments:  
Explanation for Combination/Other: Market Type: Individual  
Submission Type: New Submission Individual Market Type:  
Overall Rate Impact: Filing Status Changed: 12/18/2019  
State Status Changed:  
Deemer Date: Created By: Freida Nhem  
Submitted By: Freida Nhem Corresponding Filing Tracking Number: VSPN-132154892  
Filing Description:  
SERFF Submission

The District of Columbia  
Department of Insurance, Securities and Banking  
1050 First Street, NE, 801  
Washington, DC 20002

RE: Individual Plan Rate Filing on behalf of Vision Service Plan Insurance Company

Dear Sir or Madam:

Enclosed is a rate filing for individual plan stand-alone vision care rates submitted on behalf of Vision Service Plan Insurance Company (NAIC #39616), 3333 Quality Drive, Rancho Cordova, CA 95670. Rates are for a limited scope vision plan, and as an excepted benefit, do not fall under PPACA regulation.

The proposed new plan and rates are to be effective upon approval. The corresponding lead form number associated with these rates is VSP IND DC 1119 filed separately under SERFF #VSPN-132154892.

Included with this filing are the following:

1. Actuarial Memorandum & Actuarial Justification
2. Individual Plan Rates
  - Standard Basic Plan
  - Materials Only Plan
  - Exam and Glasses Plan
  - Lens Enhancements
  - Optional Additional Plans

The SERFF requirements were referenced for this filing; however, please advise if additional information is required. Please do not hesitate to contact me with any questions. I may be reached at (916) 858-5615 or via email at freida.nhem@vsp.com.

Sincerely,  
Freida Nhem  
Compliance Specialist  
3333 Quality Drive M/S 228, Rancho Cordova, CA 95670

**State:** District of Columbia **Filing Company:** Vision Service Plan Insurance Company  
**TOI/Sub-TOI:** H2OI Individual Health - Vision/H2OI.000 Health - Vision  
**Product Name:** DC Individual Plan Rates 2019  
**Project Name/Number:** /

P: 916.858.5615 | F: 916.463.9040 | freida.nhem@vsp.com

## Company and Contact

### Filing Contact Information

Freida Nhem, Compliance Specialist	freida.nhem@vsp.com
3333 Quality Drive, M/S 228	916-858-5615 [Phone]
Rancho Cordova, CA 95670	916-463-9040 [FAX]

### Filing Company Information

Vision Service Plan Insurance Company	CoCode: 39616	State of Domicile: Ohio
3333 Quality Drive (MS163)	Group Code: 1189	Company Type: Accident and Health
Rancho Cordova, CA 95670	Group Name: Vision Service Plan	State ID Number:
(916) 851-4898 ext. [Phone]	FEIN Number: 06-1227840	

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## Filing Fees

Fee Required?	No
Retaliatory?	No
Fee Explanation:	

<b>SERFF Tracking #:</b>	VSPN-132165946	<b>State Tracking #:</b>		<b>Company Tracking #:</b>	IP VARIABLE RATES
<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Vision Service Plan Insurance Company		
<b>TOI/Sub-TOI:</b>	H20I Individual Health - Vision/H20I.000 Health - Vision				
<b>Product Name:</b>	DC Individual Plan Rates 2019				
<b>Project Name/Number:</b>	/				

## Rate Information

Rate data does NOT apply to filing.

SERFF Tracking #:

VSPN-132165946

State Tracking #:

Company Tracking #:

IP VARIABLE RATES

State:

District of Columbia

Filing Company:

Vision Service Plan Insurance Company

TOI/Sub-TOI:

H20I Individual Health - Vision/H20I.000 Health - Vision

Product Name:

DC Individual Plan Rates 2019

Project Name/Number:

/

## Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		DC IP VAR Rates 2019	VSP IND DC 1119, CVC Rider DC 1119, ProTec Rider DC 1119	New		2019 DC Standard Basic Plan Rates.pdf, 2019 DC Materials Only Plan Rates.pdf, 2019 DC Exam & Glasses Plan Rates.pdf, 2019 DC Optional Additional Plan Rates.pdf, 2019 DC Lens Enhancements Plan Rates.pdf,

INDIVIDUAL PLAN - RATES  
DISTRICT OF COLUMBIA

STANDARD BASIC PLAN 12/12/12 \$15 / \$25

Exam every 12 Months / Lenses every 12 Months / Frame every 12 Months

\$15 CoPay for Exam / \$25 CoPay for Materials  
\$150 Retail Frame Allowance (RFA) / \$150 Elective Contact Lens (ECL) Allowance - Contacts may be selected in lieu of Glasses

	<u>Member</u>	<u>Member + 1</u>	<u>Member + Family</u>
MONTHLY PREMIUM RATES	\$13.10	\$24.84	\$34.05
ANNUAL PREMIUM RATES	\$157.20	\$298.08	\$408.60

FRAME / ECL CHANGES

	<u>Member</u>	<u>Member + 1</u>	<u>Member + Family</u>
Retail Frame Allowance (RFA) may be adjusted in \$5 increments (Range is \$90 - \$300)	\$0.06	\$0.12	\$0.17
Elective Contact Lenses (ECL) may be adjusted in \$5 increments (Range is \$90 - \$300)	\$0.21	\$0.41	\$0.56
Contacts may be selected in lieu of Glasses	Add to / Subtract from Full Service Rates per \$5		

COPAY CHANGES

	<u>Exam CoPay</u>	<u>Materials CoPay</u>	<u>Member</u>	<u>Member + 1</u>	<u>Member + Family</u>
Change CoPays from: \$15 / \$25 to:	\$0	\$0	\$15.39	\$29.17	\$39.99
	\$5	\$10	\$14.56	\$27.61	\$37.85
	\$10	\$0	\$14.50	\$27.49	\$37.68
	\$10	\$10	\$14.12	\$26.77	\$36.69
	\$10	\$15	\$13.93	\$26.40	\$36.20
	\$10	\$20	\$13.73	\$26.04	\$35.70
	\$10	\$25	\$13.54	\$25.68	\$35.20
	\$10	\$30	\$13.35	\$25.32	\$34.71
	\$15	\$0	\$14.05	\$26.65	\$36.53
	\$15	\$10	\$13.67	\$25.92	\$35.54
	\$15	\$15	\$13.48	\$25.56	\$35.04
	\$15	\$20	\$13.29	\$25.20	\$34.55
	\$15	\$30	\$12.91	\$24.48	\$33.55
	\$20	\$0	\$13.61	\$25.80	\$35.37
	\$20	\$10	\$13.23	\$25.08	\$34.38
	\$20	\$15	\$13.04	\$24.72	\$33.89
	\$20	\$25	\$12.66	\$24.00	\$32.90
	\$20	\$30	\$12.47	\$23.64	\$32.40
	\$25	\$25	\$12.21	\$23.16	\$31.74
Revised Full Service Rates					

INDIVIDUAL PLAN - RATES  
DISTRICT OF COLUMBIA

MATERIALS ONLY PLAN 00/12/12 \$25

Exam not Covered / Lenses every 12 Months / Frame every 12 Months

\$25 CoPay for Materials  
\$150 Retail Frame Allowance (RFA) / \$150 Elective Contact Lens (ECL) Allowance - Contacts may be selected in lieu of Glasses

	<u>Member</u>	<u>Member + 1</u>	<u>Member + Family</u>
MONTHLY PREMIUM RATES	\$10.15	\$19.24	\$26.37
ANNUAL PREMIUM RATES	\$121.80	\$230.88	\$316.44

FRAME / ECL CHANGES

	<u>Member</u>	<u>Member + 1</u>	<u>Member + Family</u>
Retail Frame Allowance (RFA) may be adjusted in \$5 increments (Range is \$90 - \$300)	\$0.06	\$0.12	\$0.17
Elective Contact Lenses (ECL) may be adjusted in \$5 increments (Range is \$90 - \$300)	\$0.21	\$0.41	\$0.56
Contacts may be selected in lieu of Glasses	Add to / Subtract from Full Service Rates per \$5		

COPAY CHANGES

	<u>Materials CoPay</u>	<u>Member</u>	<u>Member + 1</u>	<u>Member + Family</u>
Change CoPay from: \$25 to:	\$10	\$11.16	\$21.16	\$29.01
	\$30	\$9.81	\$18.60	\$25.49
		Revised Full Service Rates		

**INDIVIDUAL PLAN - RATES  
DISTRICT OF COLUMBIA**

**EXAM & GLASSES PLAN 12/12/12 \$15 / \$25**

Exam every 12 Months / Lenses every 12 Months / Frame every 12 Months

\$15 CoPay for Exam / \$25 CoPay for Materials

\$150 Retail Frame Allowance (RFA)

	<u>Member</u>	<u>Member + 1</u>	<u>Member + Family</u>
MONTHLY PREMIUM RATES	\$12.07	\$22.88	\$31.36
ANNUAL PREMIUM RATES	\$144.84	\$274.56	\$376.32

**FRAME CHANGES**

	<u>Member</u>	<u>Member + 1</u>	<u>Member + Family</u>
Retail Frame Allowance (RFA) may be adjusted in \$5 increments (Range is \$90 - \$300)	\$0.06	\$0.12	\$0.17
Add to / Subtract from Full Service Rates per \$5			

**COPAY CHANGES**

	<u>Exam</u>	<u>Materials</u>	<u>Member</u>	<u>Member + 1</u>	<u>Member + Family</u>
Change CoPays from: \$15 / \$25 to:	\$0	\$0	\$14.18	\$26.87	\$36.83
	\$5	\$10	\$13.41	\$25.43	\$34.86
	\$10	\$0	\$13.36	\$25.32	\$34.71
	\$10	\$10	\$13.01	\$24.66	\$33.79
	\$10	\$15	\$12.83	\$24.32	\$33.34
	\$10	\$20	\$12.65	\$23.99	\$32.88
	\$10	\$25	\$12.47	\$23.65	\$32.42
	\$10	\$30	\$12.30	\$23.32	\$31.97
	\$15	\$0	\$12.94	\$24.55	\$33.65
	\$15	\$10	\$12.59	\$23.87	\$32.74
	\$15	\$15	\$12.42	\$23.54	\$32.27
	\$15	\$20	\$12.24	\$23.21	\$31.82
	\$15	\$30	\$11.89	\$22.55	\$30.90
	\$20	\$0	\$12.54	\$23.76	\$32.58
	\$20	\$10	\$12.19	\$23.10	\$31.67
	\$20	\$15	\$12.01	\$22.77	\$31.22
	\$20	\$25	\$11.66	\$22.11	\$30.30
	\$20	\$30	\$11.49	\$21.77	\$29.84
	\$25	\$25	\$11.25	\$21.33	\$29.24

Revised Full Service Rates



**INDIVIDUAL PLAN - RATES**  
**DISTRICT OF COLUMBIA**

**OPTIONAL ADDITIONAL PLANS**

These coverage options are not stand alone; they must be combined with the full service plan. Rates are added to the full service rates.

	<u>Additional CoPay</u>	<u>Member</u>	<u>Member + 1</u>	<u>Member + Family</u>
Elective Contact Lens Fitting and Evaluation Exam	\$0	\$3.22	\$6.11	\$8.38
	\$10	\$2.79	\$5.30	\$7.26
	\$15	\$2.58	\$4.89	\$6.70
	\$20	\$2.36	\$4.48	\$6.14
Second Pair - Spectacle Lenses + \$150 Frame Allowance OR \$150 Contact Lens Allowance	\$25	\$7.82	\$14.82	\$20.32
<i>Retail Frame Allowance (RFA) may be adjusted in \$5 increments (Range is \$90 - \$300)</i>		\$0.06	\$0.12	\$0.17
<i>Elective Contact Lenses (ECL) may be adjusted in \$5 increments (Range is \$90 - \$300)</i>		\$0.21	\$0.41	\$0.56
Restricted Second Pair - \$150 Contact Lens Allowance	\$25	\$5.86	\$11.12	\$15.24
<i>Elective Contact Lenses (ECL) may be adjusted in \$5 increments (Range is \$90 - \$300)</i>		\$0.21	\$0.41	\$0.56
Computer Vision Care (CVC) Second Pair - Spectacle Lenses + \$150 Frame Allowance	\$25	\$6.50	\$12.33	\$16.91
<i>Retail Frame Allowance (RFA) may be adjusted in \$5 increments (Range is \$90 - \$300)</i>		\$0.06	\$0.12	\$0.17
Covered Contact Lenses - Covered in Full after CoPay	\$50	\$11.81	\$22.39	\$30.70
ProTec Safety Wear - Spectacle Lenses + ProTec Frame	\$0	\$2.85	\$2.85	\$2.85
(Dependents not covered)	\$5	\$2.69	\$2.69	\$2.69
	\$10	\$2.53	\$2.53	\$2.53
	\$15	\$2.35	\$2.35	\$2.35
	\$20	\$2.19	\$2.19	\$2.19
	\$25	\$2.03	\$2.03	\$2.03
SunCare Non-Prescription Frame Allowance	NA	\$1.31	\$2.48	\$3.41
Members may use Frame Allowance towards non-prescription Sunglasses				

**INDIVIDUAL PLAN - RATES  
DISTRICT OF COLUMBIA**

**LENS ENHANCEMENTS**

These enhancements may be added any benefit that offers spectacle lens coverage.

If a Lens Enhancement is added to the Exam + Glasses plan, listed rates will be increased 43%

	<u>CoPay</u>	<u>Member</u>	<u>Member + 1</u>	<u>Member + Family</u>
Anti-Reflective	\$0	\$2.66	\$5.04	\$6.91
	\$5	\$2.49	\$4.72	\$6.46
	\$10	\$2.32	\$4.39	\$6.02
	\$15	\$2.14	\$4.07	\$5.57
	\$20	\$1.97	\$3.74	\$5.13
	\$25	\$1.80	\$3.41	\$4.68
	\$30	\$1.63	\$3.09	\$4.24
	\$35	\$1.46	\$2.76	\$3.79
	\$40	\$1.29	\$2.44	\$3.34
Photochromic	\$0	\$1.83	\$3.48	\$4.77
	\$5	\$1.71	\$3.25	\$4.46
	\$10	\$1.59	\$3.02	\$4.14
	\$15	\$1.47	\$2.80	\$3.83
	\$20	\$1.35	\$2.57	\$3.52
	\$25	\$1.23	\$2.34	\$3.21
	\$30	\$1.11	\$2.11	\$2.90
	\$35	\$0.99	\$1.88	\$2.58
	\$40	\$0.87	\$1.66	\$2.27
Polycarbonate	\$0	\$0.75	\$1.43	\$1.96
	\$5	\$0.64	\$1.21	\$1.67
	\$10	\$0.53	\$1.00	\$1.37
	\$15	\$0.41	\$0.78	\$1.07
Progressive	\$0	\$2.51	\$4.77	\$6.53
	\$5	\$2.41	\$4.58	\$6.28
	\$10	\$2.32	\$4.39	\$6.02
	\$15	\$2.22	\$4.20	\$5.76
	\$20	\$2.12	\$4.02	\$5.50
	\$25	\$2.02	\$3.83	\$5.25
	\$30	\$1.92	\$3.64	\$4.99
	\$35	\$1.82	\$3.45	\$4.73
	\$40	\$1.72	\$3.26	\$4.47
	\$45	\$1.62	\$3.08	\$4.22
	\$50	\$1.52	\$2.89	\$3.96
	\$55	\$1.42	\$2.70	\$3.70
Progressive as a \$55 Allowance		\$1.05	\$1.99	\$2.72
Scratch Coating	\$0	\$0.16	\$0.30	\$0.42
UV Coating	\$0	\$0.09	\$0.17	\$0.24
Tints	\$0	\$0.12	\$0.23	\$0.31
Polarized	\$0	\$0.92	\$1.74	\$2.38
	\$5	\$0.85	\$1.61	\$2.21
	\$10	\$0.78	\$1.49	\$2.04
	\$15	\$0.72	\$1.36	\$1.86
	\$20	\$0.65	\$1.23	\$1.69
High Index	\$0	\$1.37	\$2.60	\$3.56
	\$5	\$1.27	\$2.42	\$3.31
	\$10	\$1.18	\$2.23	\$3.06
	\$15	\$1.08	\$2.05	\$2.82
	\$20	\$0.99	\$1.87	\$2.57
	\$25	\$0.89	\$1.69	\$2.32
	\$30	\$0.80	\$1.51	\$2.07

<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Vision Service Plan Insurance Company
<b>TOI/Sub-TOI:</b>	H2OI Individual Health - Vision/H2OI.000 Health - Vision		
<b>Product Name:</b>	DC Individual Plan Rates 2019		
<b>Project Name/Number:</b>	/		

## Supporting Document Schedules

<b>Satisfied - Item:</b>	Cover Letter
<b>Comments:</b>	Required information is stated in General Information tab
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	Certificate of Authority to File
<b>Bypass Reason:</b>	This is not a third party filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Memorandum
<b>Comments:</b>	
<b>Attachment(s):</b>	DC 2019 IP VAR AM.pdf UW Process - IP only.pdf
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Satisfied - Item:</b>	Actuarial Justification
<b>Comments:</b>	See Actuarial Justification in the Actuarial Memorandum attached.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
<b>Bypass Reason:</b>	This is not a P&C filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

<b>Bypassed - Item:</b>	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
<b>Bypass Reason:</b>	This is not a P&C filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	

<b>State:</b>	District of Columbia	<b>Filing Company:</b>	Vision Service Plan Insurance Company
<b>TOI/Sub-TOI:</b>	H20I Individual Health - Vision/H20I.000 Health - Vision		
<b>Product Name:</b>	DC Individual Plan Rates 2019		
<b>Project Name/Number:</b>	/		

<b>Status Date:</b>	
<b>Bypassed - Item:</b>	Actuarial Memorandum and Certifications
<b>Bypass Reason:</b>	This is not a PPACA filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	
<b>Bypassed - Item:</b>	Unified Rate Review Template
<b>Bypass Reason:</b>	This is not a PPACA filing.
<b>Attachment(s):</b>	
<b>Item Status:</b>	
<b>Status Date:</b>	

# THE KILBOURNE COMPANY

## INDEPENDENT ACTUARIES

### FREDERICK W. KILBOURNE

Fellow, Society of Actuaries  
Fellow, Casualty Actuarial Society  
Fellow, Canadian Institute of Actuaries  
Fellow, Conference of Consulting Actuaries  
Member, American Academy of Actuaries

100 E San Marcos Blvd, Suite 400  
San Marcos, California 92069  
Telephone: 858-793-1300  
fred@thekilbournecompany.com

### DISTRICT OF COLUMBIA RATE FILING ACTUARIAL MEMORANDUM AND ACTUARIAL CERTIFICATION

This memorandum has been prepared to support the 2019 rate filing for individual vision care policies submitted to the District of Columbia Department of Insurance by Vision Service Plan Insurance Company (VSP). It is intended to follow the requirements for an Actuarial Memorandum as set forth by the District of Columbia Department of Insurance, Securities and Banking.

I am a Fellow of the Society of Actuaries, and meet the “Qualification Standards of Actuarial Opinion” as adopted by the American Academy of Actuaries. In preparing this memorandum I have relied upon experience, and other data, provided by the company.

- A. Description: The reason for this rate filing is to provide the documentation supporting rates for individual risk Vision Service Plan Insurance Company under the new policy form (# VSP IND DC 1119). Proposed base rates reflect no change to current base rates, which were approved on July 25, 2019 (VSPN# 131844846). Base rates are for the \$150 allowance plan with a \$15 copay for the exam and a \$25 copay for materials. This rate filing also includes initial rates for new plan options and extended benefits. The rate filing applies to all plans associated with form number VSP IND DC 1119, including ProTec Rider DC 1119 and CVC Rider DC 1119. The policies offer vision care service and materials, including optometric (or other) exams, lenses (including contact lenses), and frames. A copy of the policy form has been provided with this filing. The rates are intended to be effective upon approval.
- B. Renewability Provision: Policies are renewable at the option of the policyholder provided premiums are paid in a timely manner, the policyholder has not performed an act or practice that constitutes fraud, and VSP continues to offer this plan in the District of Columbia.
- C. Applicability: Rates apply to all individual vision care policies to be written in the District of Columbia.
- D. Marketing Method: Policies are marketed directly by the company through agents as well as through the internet and brochure mailings.
- E. Underwriting Method: Underwriting guidelines have been provided with this memorandum in the document labeled “Underwriting Process”.
- F. Issue Age Limits: None. Age is not a rating factor for this coverage.

G. Premium Basis: The attached Exhibit B sets forth both the District of Columbia and national experience for the past three years and for 2019 through August 31st. This exhibit shows premium and claim amounts, as well as membership and claim counts for the basic \$150 allowance plan, which makes up about 93% of current business. The current distribution of policies by tier is: 86% member-only, 10% member plus one, and 4% family. Using the same policy distribution, the rate reduction approved in July (-10%) is expected to result in future annual revenue of \$181.19 per member.

Claim cost components based on District of Columbia experience are shown at the top of Exhibit A. The remainder of Exhibit A sets forth the rates for new plan options. Page 1 shows base rates and adjustments for new allowance levels and copayment options. Page 2 shows rates for new plans and optional plan benefits. Pages 3 and 4 provide rates for new lens enhancement options. All of the new rates and rate adjustments have been developed from the existing base plan rates and reflect the cost increase or reduction that would be expected for each new feature or option. National experience has been used to support the assumptions underlying the cost adjustments for new plan options and extended benefits. A description of how the rates were developed is provided in the notes on page 5 of Exhibit A

H. Nature of Rate Change: The proposed rates reflect no change relative to the rates approved in July, 2019, but rates have been added for new plan options and extended benefits.

I. Modifications: The rates shown in Exhibit A for new options and extended benefits are new rates.

J. Comparison to Status Quo: Rates reflect no change relative to existing rates for the basic plan. New rates have been added for additional plan options and extended benefits.

K. Differences from Current Rates: Current base rates remain the same.

L. Proposed New Rules: Not applicable.

M. Impact: There will be no impact on current basic policy rates or provisions.

N. Minimum Required Loss Ratio: The target pure loss ratio is 61% for these optionally renewable (OR) policies, which is above the minimum of 60% indicated by the NAIC guidelines. The 39% retention percentage includes all expenses, taxes, and a 3% provision for contingencies. Expense components are: commission 10%; plan administration 22%; federal ACA tax 2%; and state premium tax 2%. The 22% for plan administration is distributed as follows:

- Manage resources – 18%
- New business development – 21%
- Customer service – 23%
- Renew existing business – 6%
- Authorize benefits – 11%
- Maintain doctor network – 8%
- Process claims – 13%

O. Interest Rate Assumption: Because vision care claims are reported and paid very quickly, no discount factor has been used in the development of the premium rate.

P. Trend Assumptions: The average claim cost assumes a 1% trend.

Q. Persistency: No persistency assumption is used in developing the premium rates.

R. Long Term Care Assumptions: Not applicable.

S. Actuarial Certification: Based on the foregoing, and on my review of the proposed rates, to the best of my knowledge and judgment, rates have been developed in accordance with all applicable actuarial standards, including ASOP No. 8; the rate filing information is true, is in compliance with the applicable laws and regulations of the District of Columbia, and the premiums are reasonable in relation to the benefits provided.

A handwritten signature in cursive script that reads "Fred Kilbourne".

Frederick W. Kilbourne

Member, American Academy of Actuaries

Fellow, Society of Actuaries

December 12, 2019

**VISION SERVICE PLAN INSURANCE COMPANY**  
**DISTRICT OF COLUMBIA INDIVIDUAL PLAN RATES**  
**RATE DEVELOPMENT FOR PLAN OPTIONS AND ADDITIONAL BENEFITS**

Exhibit A  
Page 1

BASIC PLAN 12/12/12 15/25 \$150 ALLOWANCE	CF	ACA	CC			
	Claim Frequency	Average Claim	Claim Cost	Member Only	Member + 1	Family
From State Experience Support - 2018 and 2019	77.1	\$117.95	\$9.09	\$13.10	\$24.84	\$34.05
				State Specific Rates		
State Service Profile	RX% 73%	RFA 40%	ECL 53%			
Frame Equivalents	RFA \$150 \$155	WFA \$57 \$59				

FRAME / ECL ALLOWANCE LEVEL CHANGES	CF	ACA	CC	% Impact	Incremental Rate Adjustments		
RFA - Impact to increase or decrease allowance by \$5	77.1	\$118.53	\$9.14	0%	\$0.06	\$0.12	\$0.17
ECL - Impact to increase or decrease allowance by \$5	77.1	\$119.88	\$9.24	2%	\$0.21	\$0.41	\$0.56

COPAY CHANGES			CF	ACA	CC	% Impact	Adjusted Rates		
	<u>Exam CoPay</u>	<u>Material CoPay</u>							
Change CoPays from:	\$15	\$25							
To:	\$0	\$0	77.1	\$138.52	\$10.68	17.4%	\$15.39	\$29.17	\$39.99
	\$5	\$10	77.1	\$131.09	\$10.11	11.1%	\$14.56	\$27.61	\$37.85
	\$10	\$0	77.1	\$130.52	\$10.06	10.7%	\$14.50	\$27.49	\$37.68
	\$10	\$10	77.1	\$127.09	\$9.80	7.8%	\$14.12	\$26.77	\$36.69
	\$10	\$15	77.1	\$125.38	\$9.67	6.3%	\$13.93	\$26.40	\$36.20
	\$10	\$20	77.1	\$123.66	\$9.53	4.8%	\$13.73	\$26.04	\$35.70
	\$10	\$25	77.1	\$121.95	\$9.40	3.4%	\$13.54	\$25.68	\$35.20
	\$10	\$30	77.1	\$120.23	\$9.27	1.9%	\$13.35	\$25.32	\$34.71
	\$15	\$0	77.1	\$126.52	\$9.76	7.3%	\$14.05	\$26.65	\$36.53
	\$15	\$10	77.1	\$123.09	\$9.49	4.4%	\$13.67	\$25.92	\$35.54
	\$15	\$15	77.1	\$121.38	\$9.36	2.9%	\$13.48	\$25.56	\$35.04
	\$15	\$20	77.1	\$119.66	\$9.23	1.5%	\$13.29	\$25.20	\$34.55
	\$15	\$30	77.1	\$116.23	\$8.96	-1.5%	\$12.91	\$24.48	\$33.55
	\$20	\$0	77.1	\$122.52	\$9.45	3.9%	\$13.61	\$25.80	\$35.37
	\$20	\$10	77.1	\$119.09	\$9.18	1.0%	\$13.23	\$25.08	\$34.38
	\$20	\$15	77.1	\$117.38	\$9.05	-0.5%	\$13.04	\$24.72	\$33.89
	\$20	\$25	77.1	\$113.95	\$8.79	-3.4%	\$12.66	\$24.00	\$32.90
	\$20	\$30	77.1	\$112.23	\$8.65	-4.8%	\$12.47	\$23.64	\$32.40
	\$25	\$25	77.1	\$109.95	\$8.48	-6.8%	\$12.21	\$23.16	\$31.74



**VISION SERVICE PLAN INSURANCE COMPANY**  
**DISTRICT OF COLUMBIA INDIVIDUAL PLAN RATES**  
**RATE DEVELOPMENT FOR PLAN OPTIONS AND ADDITIONAL BENEFITS**

Exhibit A  
Page 2

NEW PLANS			CC	% Impact	Adjusted Rates		
	<u>Exam CoPay</u>	<u>Material CoPay</u>					
Materials Only		\$10	\$7.75	-14.8%	\$11.16	\$21.16	\$29.01
(Glasses or Contacts)		\$25	\$7.04	-22.5%	\$10.15	\$19.24	\$26.37
		\$30	\$6.81	-25.1%	\$9.81	\$18.60	\$25.49
Exam and Glasses	\$15	\$25	\$8.38	-7.9%	\$12.07	\$22.88	\$31.36
(No ECL option)			Use this impact on remaining copays - apply to base benefit copay alternative rates				

OPTIONAL ADDITIONAL PLAN BENEFITS		CF	ACA	CC	% Impact	Add to Base Rates		
	Additional <u>CoPay</u>							
ECL Fitting and Evaluation CIF	\$0	77.1	\$146.96	\$11.33	24.6%	\$3.22	\$6.11	\$8.38
Benefit Cost = \$75.00	\$10	77.1	\$143.10	\$11.03	21.3%	\$2.79	\$5.30	\$7.26
	\$15	77.1	\$141.16	\$10.88	19.7%	\$2.58	\$4.89	\$6.70
	\$20	77.1	\$139.23	\$10.74	18.0%	\$2.36	\$4.48	\$6.14
Computer Vision Care (CVC) Lens/Frame	\$25			\$13.61	49.6%	\$6.50	\$12.33	\$16.91
Suncare (Non RX) Lens/Frame	\$25			\$10.00	10.0%	\$1.31	\$2.48	\$3.41
2nd Pair - Glasses or ECL allowance	\$25			\$14.52	59.7%	\$7.82	\$14.82	\$20.32
Restricted 2nd Pair (ECL allowance only)	\$25			\$13.16	44.7%	\$5.86	\$11.12	\$15.24
Covered Contact Lenses	\$50			\$17.29	90.2%	\$11.81	\$22.39	\$30.70
ProTec Safety Wear	\$0			\$11.07	21.8%	\$2.85	\$2.85	\$2.85
(Dependents not covered)	\$5			\$10.96	20.6%	\$2.69	\$2.69	\$2.69
	\$10			\$10.85	19.3%	\$2.53	\$2.53	\$2.53
	\$15			\$10.73	17.9%	\$2.35	\$2.35	\$2.35
	\$20			\$10.62	16.7%	\$2.19	\$2.19	\$2.19
	\$25			\$10.50	15.5%	\$2.03	\$2.03	\$2.03

**VISION SERVICE PLAN INSURANCE COMPANY**  
**DISTRICT OF COLUMBIA INDIVIDUAL PLAN RATES**  
**RATE DEVELOPMENT FOR PLAN OPTIONS AND ADDITIONAL BENEFITS**

Exhibit A  
Page 3

LENS ENHANCEMENTS		CF	ACA	CC	% Impact	Add to Base Rates			
		Additional CoPay	If a Lens Enhancement is added to the Exam + Glasses Plan, listed rates will be increased 43%						
Anti-Reflective Covered in Full (CIF) after copay		\$0	77.1	\$141.88	\$10.94	20.3%	\$2.66	\$5.04	\$6.91
		\$5	77.1	\$140.34	\$10.82	19.0%	\$2.49	\$4.72	\$6.46
Average Cost:	\$77.51	\$10	77.1	\$138.79	\$10.70	17.7%	\$2.32	\$4.39	\$6.02
Utilization:	90%	\$15	77.1	\$137.25	\$10.58	16.4%	\$2.14	\$4.07	\$5.57
		\$20	77.1	\$135.71	\$10.46	15.1%	\$1.97	\$3.74	\$5.13
		\$25	77.1	\$134.16	\$10.34	13.7%	\$1.80	\$3.41	\$4.68
		\$30	77.1	\$132.62	\$10.23	12.4%	\$1.63	\$3.09	\$4.24
		\$35	77.1	\$131.07	\$10.11	11.1%	\$1.46	\$2.76	\$3.79
		\$40	77.1	\$129.53	\$9.99	9.8%	\$1.29	\$2.44	\$3.34
Photochromic CIF after copay		\$0	77.1	\$134.46	\$10.37	14.0%	\$1.83	\$3.48	\$4.77
		\$5	77.1	\$133.38	\$10.28	13.1%	\$1.71	\$3.25	\$4.46
Average Cost:	\$76.40	\$10	77.1	\$132.30	\$10.20	12.2%	\$1.59	\$3.02	\$4.14
Utilization:	63.0%	\$15	77.1	\$131.22	\$10.12	11.3%	\$1.47	\$2.80	\$3.83
		\$20	77.1	\$130.14	\$10.03	10.3%	\$1.35	\$2.57	\$3.52
		\$25	77.1	\$129.06	\$9.95	9.4%	\$1.23	\$2.34	\$3.21
		\$30	77.1	\$127.98	\$9.87	8.5%	\$1.11	\$2.11	\$2.90
		\$35	77.1	\$126.90	\$9.78	7.6%	\$0.99	\$1.88	\$2.58
		\$40	77.1	\$125.82	\$9.70	6.7%	\$0.87	\$1.66	\$2.27
Polycarbonate CIF after copay		\$0	77.1	\$124.74	\$9.62	5.8%	\$0.75	\$1.43	\$1.96
		\$5	77.1	\$123.72	\$9.54	4.9%	\$0.64	\$1.21	\$1.67
Average Cost:	\$33.02	\$10	77.1	\$122.69	\$9.46	4.0%	\$0.53	\$1.00	\$1.37
Utilization:	60.0%	\$15	77.1	\$121.66	\$9.38	3.1%	\$0.41	\$0.78	\$1.07
Progressive CIF after copay		\$0	77.1	\$140.58	\$10.84	19.2%	\$2.51	\$4.77	\$6.53
		\$5	77.1	\$139.69	\$10.77	18.4%	\$2.41	\$4.58	\$6.28
Average Cost:	\$126.86	\$10	77.1	\$138.80	\$10.70	17.7%	\$2.32	\$4.39	\$6.02
Utilization:	52.0%	\$15	77.1	\$137.90	\$10.63	16.9%	\$2.22	\$4.20	\$5.76
		\$20	77.1	\$137.01	\$10.56	16.2%	\$2.12	\$4.02	\$5.50
		\$25	77.1	\$136.12	\$10.50	15.4%	\$2.02	\$3.83	\$5.25
		\$30	77.1	\$135.23	\$10.43	14.7%	\$1.92	\$3.64	\$4.99
		\$35	77.1	\$134.34	\$10.36	13.9%	\$1.82	\$3.45	\$4.73
		\$40	77.1	\$133.44	\$10.29	13.1%	\$1.72	\$3.26	\$4.47
		\$45	77.1	\$132.55	\$10.22	12.4%	\$1.62	\$3.08	\$4.22
		\$50	77.1	\$131.66	\$10.15	11.6%	\$1.52	\$2.89	\$3.96
		\$55	77.1	\$130.77	\$10.08	10.9%	\$1.42	\$2.70	\$3.70

VISION SERVICE PLAN INSURANCE COMPANY  
DISTRICT OF COLUMBIA INDIVIDUAL PLAN RATES  
RATE DEVELOPMENT FOR PLAN OPTIONS AND ADDITIONAL BENEFITS

Exhibit A  
Page 4

LENS ENHANCEMENTS		CoPay	CF	ACA	CC	% Impact	Add to Base Rates		
If a Lens Enhancement is added to the Exam + Glasses Plan, listed rates will be increased 43%									
<u>Progressive \$55 Allowance</u>			77.1	\$127.38	\$9.82	8.0%	\$1.05	\$1.99	\$2.72
Average Cost:	\$55.00								
Utilization:	50.0%								
<u>Scratch</u>		\$0	77.1	\$119.39	\$9.21	1.2%	\$0.16	\$0.30	\$0.42
Average Cost:	\$28.12								
Utilization:	15.0%								
<u>UV</u>		\$0	77.1	\$118.77	\$9.16	0.7%	\$0.09	\$0.17	\$0.24
Average Cost:	\$16.05								
Utilization:	15.0%								
Blended Rates for Tint Enhancements:									
<u>Tints - Solid Tints/Dyes</u>		\$0	77.1	\$118.44	\$9.13	0.4%			
Average Cost:	\$14.44								
Utilization:	10.0%						\$0.12	\$0.23	\$0.31
<u>Tints - Plastic Gradient Dyes</u>		\$0	77.1	\$118.53	\$9.14	0.5%			
						0.9%			
Average Cost:	\$17.00								
Utilization:	10.0%								
<u>Polarized CIF after copay</u>		\$0	77.1	\$126.20	\$9.73	7.0%	\$0.92	\$1.74	\$2.38
		\$5	77.1	\$125.60	\$9.68	6.5%	\$0.85	\$1.61	\$2.21
Average Cost:	\$68.73	\$10	77.1	\$125.00	\$9.64	6.0%	\$0.78	\$1.49	\$2.04
Utilization:	35%	\$15	77.1	\$124.40	\$9.59	5.5%	\$0.72	\$1.36	\$1.86
		\$20	77.1	\$123.80	\$9.55	5.0%	\$0.65	\$1.23	\$1.69
<u>Hi Index CIF after copay</u>		\$0	77.1	\$130.28	\$10.04	10.5%	\$1.37	\$2.60	\$3.56
		\$5	77.1	\$129.42	\$9.98	9.7%	\$1.27	\$2.42	\$3.31
Average Cost:	\$71.86	\$10	77.1	\$128.56	\$9.91	9.0%	\$1.18	\$2.23	\$3.06
Utilization:	50%	\$15	77.1	\$127.70	\$9.85	8.3%	\$1.08	\$2.05	\$2.82
		\$20	77.1	\$126.84	\$9.78	7.5%	\$0.99	\$1.87	\$2.57
		\$25	77.1	\$125.99	\$9.71	6.8%	\$0.89	\$1.69	\$2.32
		\$30	77.1	\$125.13	\$9.65	6.1%	\$0.80	\$1.51	\$2.07

NOTES:

**FRAME / ECL ALLOWANCE LEVEL CHANGES**

The incremental premium for a \$5 change in frame/lens allowance is developed by determining the percent impact on average claim cost (CC) for a \$150 allowance claim and converting that % to an incremental dollar amount. For frames the incremental cost is \$2 times the probability of a prescription for glasses including new frames. For lenses, the incremental cost is \$5 times the probability of a prescription for lenses.

**COPAY CHANGES**

The adjusted premiums for alternative copay options are developed by determining the change in average claim amount (ACA) relative to the basic \$15/\$25 copay amounts. The new ACA is multiplied by claim frequency (CF) to arrive at the new adjusted premium amount.

**NEW PLANS**

New plans include a Materials Only plan (either glasses or contacts (ECL) and an Exam plus Glasses (no ECL) plan. The costs for these plans are directly related to the cost of the basic \$150 allowance plan. In order to determine an appropriate factor to represent the relative cost of these new plans, experience for the VSP group policies was run through the company's internal Quick Rate program. The factors developed from this analysis are shown as the % impact in the New Plans section on page 2 of this exhibit.

**OPTIONAL ADDITIONAL PLAN BENEFITS**

Optional Additional Plan Benefits are only available in conjunction with the basic \$150 allowance plan or one of the two new plans. These are not stand-alone benefits. Most of the Extended Benefits rates were developed in the same way that the New Plan rates were developed. A factor was calculated based on the relative cost for these benefits using VSP group policy experience. Those factors were then applied to the rate for the basic plan. The exception to this was ECL fitting and Evaluation CIF. This procedure has a cost of \$75. If purchased, it is assumed that the benefit will be used with the same frequency as the ECL lens option and the cost minus the deductible is added directly to the average claim amount (ACA).

**LENS ENHANCEMENTS**

Lens Enhancements are only available in conjunction with the basic plan or one of the two new plans. All lens enhancement benefits are covered in full except for the \$55 progressive lens allowance. Lens Enhancements are additional benefits with expected average costs that are independent of the basic exam and lens cost. Rates for these enhancements were developed by adding an expected cost to the average claim amount. The expected cost equals the average cost of the enhancement times the utilization rate for that enhancement. Utilization rates were estimated based on experience for VSP group policies.

VISION SERVICE PLAN INSURANCE COMPANY  
DISTRICT OF COLUMBIA INDIVIDUAL PLAN EXPERIENCE

EXHIBIT B

Current

Product CHOICE  
Plan 12/12/12 \$15/\$25

Retail Frame Allowance: \$150  
Elective Contact Lens Allowance \$150

Time Period	# Monthly Subscribers	Member Months	Gross Premium	Incurred Claim \$	Incurred Loss Ratio	Incurred Claims #	Claim Frequency	Average Claim Size	Average Claim Cost per MM	Trend	Trended Claim Cost per MM	Contingency Margin %	Admin %	Monthly Indicated Rate
<b>NATIONAL EXPERIENCE</b>														
2016		2,093,489	\$43,887,660	\$24,430,301	56	239,813	114.6	\$101.87	\$11.67	0%	\$11.67	3%	36%	\$18.80
2017		2,573,343	\$53,701,839	\$28,290,806	53	283,471	110.2	\$99.80	\$10.99	0%	\$10.99	3%	36%	\$17.71
2018		3,097,970	\$62,744,932	\$33,197,119	53	332,263	107.3	\$99.91	\$10.72	0%	\$10.72	3%	36%	\$17.26
YTD 8/31/19	334,704	2,584,104	\$49,636,679	\$27,189,330	55	270,851	104.8	\$100.38	\$10.52	0%	\$10.52	3%	36%	\$16.95
<b>DISTRICT OF COLUMBIA EXPERIENCE</b>														
2016		3,000	\$49,979	\$31,907	64	254	84.7	\$125.54	\$10.64	0%	\$10.64	3%	36%	\$17.13
2017		3,961	\$65,609	\$38,446	59	325	82.0	\$118.34	\$9.71	0%	\$9.71	3%	36%	\$15.63
2018		4,733	\$79,405	\$39,315	50	346	73.2	\$113.52	\$8.31	0%	\$8.31	3%	36%	\$13.38
YTD 8/31/19	477	3,549	\$57,734	\$36,004	62	292	82.4	\$123.19	\$10.14	0%	\$10.14	3%	36%	\$16.34

	<b>CURRENT \$150 RATES</b>	
	<u>MONTHLY</u>	<u>ANNUAL</u>
Member	\$13.10	\$157.20
Member +1	\$24.84	\$298.08
Member + Family	\$34.05	\$408.60

	<b>PROPOSED \$150 RATES</b>	
	<u>MONTHLY</u>	<u>ANNUAL</u>
Member	\$13.10	\$157.20
Member +1	\$24.84	\$298.08
Member + Family	\$34.05	\$408.60

Rates reflect a 10% decrease approved July 25, 2019.

2019 Annualized Revenue per Member	\$195.28
Future Annualized Revenue per Member	\$181.19
2019 Expected Loss Ratio	61%
Future Expected Loss Ratio	61%

## **VSP UNDERWRITING PROCESS**

### **Individual Plan**

The primary objective of underwriting is to evaluate the risk under consideration and to determine a proper rate to charge for each covered member. This rate will be sufficient to cover the following:

- A. Current claims
- B. Outstanding claims
- C. Retention (Administration Fees)

The rate setting methodology used was established with the assistance of an actuary, Fred Kilbourne. The Kilbourne Company has also periodically reviewed the methodology to ensure it is still appropriate.

Rate setting is the most important factor in determining the profitability of each policy or contract. Improper rate calculation may result in "loss contracts". The rate development process precedes all underwriting activity as it determines the rate components on which the underwriting department relies.

### **RATING COMPONENTS**

#### Claim Frequency (CF)

Claim Frequency measures utilization by determining how many claims are projected per 1,000 members. VSP performs this calculation by dividing the number of claims by number of members for a designated time period, then multiplying by 1,000. CF can vary by plan and co-pay.

Individual Plan's base plan design:

<b>Plan Type</b>	<b>Eligible for Eye Exam</b>	<b>Eligible for New Lenses</b>	<b>Eligible for New Frames</b>
C	Every 12 months	Every 12 months	Every 12 months

#### Average Claim Amount (ACA)

Average Claim Amount measures cost of the benefit. It is calculated by dividing claim dollars by claim counts for a designated time period. Trend may be added for inflation.

#### Claim Cost (CC)

To determine the estimated monthly Claim Cost per member, the CF is multiplied by the ACA which results in the estimated Claim Cost. Underwriting reserve (contingency margin) may be added to the CC in order to help reduce the risk of loss associated with the policies and to help cover future outstanding claims. Final rates will also include retention, which covers acquisition costs, claim administration, taxes, and other expenses.

**Rating Formula**

Average Claim Amount \* Inflation Factor \* Claim Frequency / (1- Reserve Factor) / (1- Retention Factor) =  
Indicated Rate

**POLICY DISTINCTIONS****New Business**

Individuals may sign up for vision coverage through the VSP website or with one of VSP's partners. Rates are determined by geographic location and member experience is pooled.

**Rate Adjustments**

The experience will be evaluated annually and rates will be adjusted if necessary.

*Reviewed December 2019*